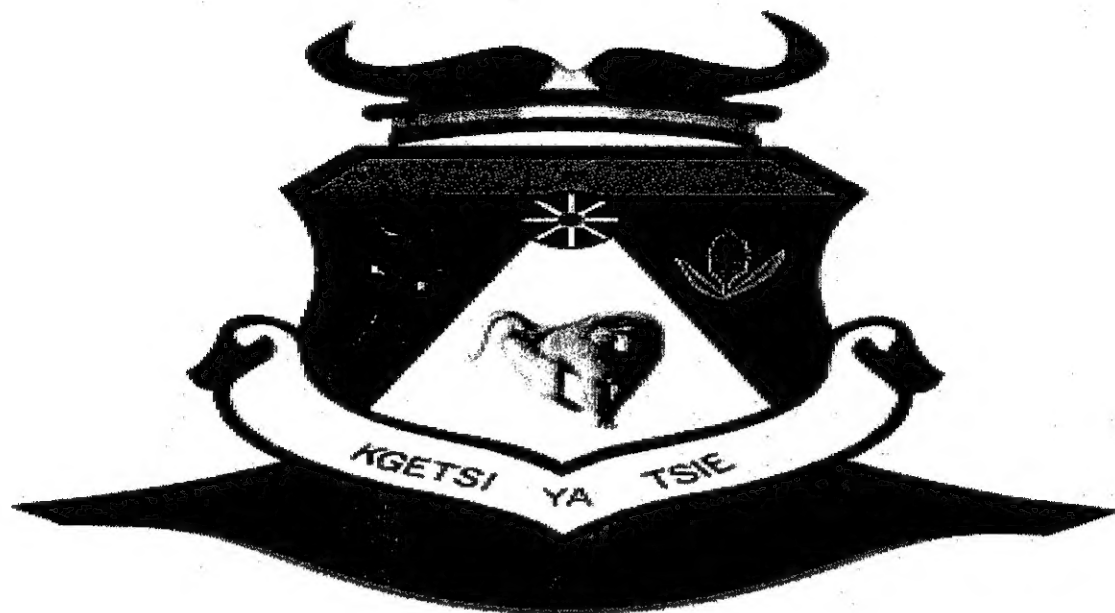


**THE BUDGET OF
RAMOTSHERE MOILOA LOCAL MUNICIPALITY**



**2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

SCHEDULE A

ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

Abbreviations and Acronyms

BSC Budget Steering Committee

CAPEX Capital Budget/Expenditure

CFO Chief Financial Officer

CPI Consumer Price Index

DBSA Development Bank of South Africa

DoRA Division of Revenue Act

FBS Free basic services

GAMAP Generally Accepted Municipal Accounting Practice

GDP Gross domestic product

GRAP General Recognised Accounting Practice

IDP Integrated Development Plan

KPA Key Performance Area

KPI Key Performance Indicator

LED Local Economic Development

MEC Member of the Executive Committee

MFMA Municipal Finance Management Act

MIG Municipal Infrastructure Grant

MM Municipal Manager

MSA Municipal Systems Act

MTEF Medium-term Expenditure Framework

MTREF Medium-term Revenue and Expenditure Framework

NGO Non-Governmental organisations

NT National Treasury

OPEX Operating Budget/Expenditure

PMS Performance Management System

PPE Property Plant and Equipment

PT Provincial Treasury

SALGA South African Local Government Association

SDBIP Service Delivery & Budget Implementation Plan

SMME Small Micro and Medium Enterprises

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PART 1 – ANNUAL BUDGET

1.1 Mayor's Comments on the budget

It is truly an honour and privilege for me to be standing in front of you all and presenting the 2017/18 budget, the first for the fourth administration of municipal governance. This budget comes at a time when our country celebrates the life and legacy of comrade Oliver Reginald Tambo who would turn 100 years this year, had he lived. He was one of the dedicated stalwarts and we ought to take after him in fighting endlessly for improving the lives of our people.

It's been ten months into office since the August 2016 Local government elections and our communities are expecting services as per our much publicised manifesto during the election campaigns.

Honourable Speaker, I thought that before presenting the budget I should present to this house a highlight of the positive progress we have made thus far.

Honourable speaker, The Premier of Bokone Bophirima made a pronouncement during the state of the Province address for the departments (DLG&HS, FEED) and municipalities must embark on rates and taxes payment campaign as well as develop and implement Revenue Enhancement strategies. I believe that in Ramotshere Moiloa we have embarked on the campaign and it yielded positive results. I want to urge all of us to continue with the exercise because it will boost our revenue collection. I also need to bring your attention on the fact that the revenue enhancement program is point 3 of the 10 point plan.

Disaster Management

The province experienced above normal rainfall during January-February 2017 which resulted in flooding. Six drowning fatalities were reported and confirmed across the province and Ramotshere Moiloa was affected. The floods damaged houses, roads and bridges resulting in schools

and clinics becoming inaccessible. We are aware that disaster management is the responsibility of the district municipality but it should be everybody's business. When disaster strikes our area in future we need to offer our support to the district officials who are based within our jurisdiction.

We have since met as various stakeholders and assistance was provided to those who were affected even though it was not sufficient. We have also established a task team which will work together during occurrence of disaster incidents.

Most improved award

In October last year, we received recognition by CIGFARO for the most improved performance in audit outcomes and risk management for 2014/15 financial year in Durban. The award was received based on the Auditor General's Audit outcome for the 2014/15. The main objective of the award was to encourage the municipalities to do more to get clean audit continuously and not regress. The achievement came shortly after the Local Government elections; thus proving that indeed the 16 years of developmental local government is worth celebrating and the baton must be carried forward.

Furthermore we received recognition in the province during the launch of the first ever Awards in the province named after one of the stalwarts of freedom. These awards are called Moses Kotane Municipal Performance Excellence Awards and will be held on an annual basis. The Executive Mayors and Mayors have already signed the pledge during the inauguration of these awards to commit their municipalities to participate fully in all the categories of Back to Basic Ten Point Plan.

MIG

We would like to report that our municipality has improved on overall spending of this grant and that by the end of March this year we had spent 70% of the allocation.

Waste Management

Honourable Speaker, waste management and cleanliness is a serious cause for concern in many municipalities.

To address this concern the Department of Local Government & Human Settlements has partnered with North West Development Corporation to enrol a number of municipalities in waste management programme to equip them on alternative waste management methodologies which protect the environment and further create employment in VTSD areas. Ramotshere Moiloa has been awarded an opportunity to submit 19 candidates to be enrolled on the programme and the recruitment process is expected to unfold in due course. We have in the past managed to enrol 14 candidates in the youth in waste programme through Tholwana Consultants and have been accredited for all the training they underwent.

Local Economic Development

As per our Honourable Premier's pronouncement on growing local economies, it was agreed that the Local Economic Development (LED) be placed in the Mayor's Offices in order to provide leadership and enhance industrialisation to ensure radical economic transformation in our lifetime. It is expected that at least 5% of the Municipal Infrastructure Grant should be spent on the LED and Community Services projects. We hope that this initiative will indeed assist in the implementation and realization of the VTSD vision.

Minerals within our municipality

RHR

Saamtrek-Saamwerk

ACT and Tributaries

Cllr PK Mothoagae

Mayor

Ramotshere Moiloa Local Municipality

1.2 Council Resolutions

During an ordinary council meeting of the 06th day of June 2017, the Council of Ramotshere Moiloa Local Municipality in their Council Chambers will consider the annual budget of the municipality for the financial year 2017/18 and the MTREF.

1. It therefore recommended that the Council of Ramotshere Moiloa Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- (b) Electricity tariffs for 2017/18 capped at 1.88% as per NERSA guidelines. A note should be taken that no formal approval has been received from NERSA at this stage. Should the approval differ from the proposed 1.88%, then the tariffs will be submitted to council for reconsideration.
- (c) Water tariffs, which increased by 6.1%.
- (d) Tariffs structure for property rates which increased by 6.1%.
- (e) 6.1% increment for all other services such as sanitation, refuse removal, public amenities, deposits, etc.
- (f) Table A1 Budget Summary
- (g) Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)
- (h) Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)
- (i) Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
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- (k) Table A4 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- (l) Table A5 Budgeted Capital Expenditure by vote, functional classification and funding
- (m) Table A5 Budgeted Capital Expenditure by vote, functional classification and funding
- (n) Table A6 Budgeted Financial Position
- (o) Table A7 Budgeted Cash Flows
- (p) Table A8 Cash backed reserves/accumulated surplus reconciliation
- (q) Table A9 Asset Management
- (r) Table A10 Basic service delivery measurement

2. The following budget related policies for the budget year 2017/2018 be approved:

- 1.1. Indigent Policy
- 1.2. Rates Policy
- 1.3. Tariff Policy
- 1.4. Credit Control and Debt Management Policy
- 1.5. Cash Management and Investment Policy
- 1.6. Supply Chain Management Policy

- 1.7. Budget and virement policy
- 1.8. Assets Management Policy
- 1.9. Unauthorised, irregular, fruitless and wasteful expenditure policy
- 3. That a copy of the budget schedules and supporting documents attached together with the reviewed IDP herewith be published as per section 22 of the Municipal Finance Management Act
- 4. In terms of Sec 24(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Municipal Systems Act 32 of 2000 as amended, the recommended tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, are approved for implementation with effect from 1st July 2017.
- a) The attached measurable objectives for the annual budget for each year of the MTREF
- b) The approved budget be submitted to the Provincial and National Treasury within 10 days of approval.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditure on non-core and 'nice to have' items.

The publishing of the regulation on the Standard chart of Accounts (SCOA) on 22 April 2014 will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003, and municipalities are expected to actively start with the process for the preparation of the implementation of this reform for which the target date is 01 July 2017. The mSCOA Regulations aim to ensure a standardised and uniform reporting of financial transactions of municipalities. The following are extracts from the preamble to the regulations:-

The regulations contain amongst others, segment and classification framework for SCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers.

The segments classification consists of the following:

Funding segment – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

Function segment - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and sub functions across local government.

Municipal Standard Classification Segment - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

Project Segment - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

Regional Indicator Segment - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

Item Segment - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

Costing Segment - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

National Treasury's MFMA Circulars No. 78,79 & 82, 85 and 86 were used as guidance for the compilation of the 2017/18 MTREF. Some of the main key challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ever aging water, roads, sewage and electricity infrastructure;
- Non-payment of accounts;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality;
- Wage increases for municipal staff that have exceeded headline consumer inflation in the past;
- Lack of adequate and sufficient office space or office accommodation for the municipality; and
- Maintaining a positive cash flow.

1.3.2 The Municipality's Budget Structure

A vote is one of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and responsible officials. The high level budget structure for Ramotshere Moiloa Local Municipality as included in the budget documentation is shown in the table below:

BUDGET VOTE	VOTE DESCRIPTION
Vote 1	Executive and Council
Vote 2	Finance and Administration
Vote 3	Planning and Development
Vote 4	Technical Services
Vote 5	Community and Social Services
Vote 6	Public Safety
Vote 9	Sports and Recreation

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

1.4 Annual Budget Tables

The following paragraphs present the nine main budget tables (Table A1- A9) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes (Narration)*.

1.4.1 Table A1 Budget Summary

Description	2013/14	2014/15	2015/16					
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands								
Financial Performance								
Property rates	19 848	21 843	42 358	24 700	29 934	44 069	46 062	47 461
Service charges	43 810	60 790	64 106	73 292	78 867	104 723	107 964	116 551
Investment revenue	99	741	1 229	152	103	160	165	170
Transfers recognised - operational	92 810	108 933	141 529	133 589	136 592	142 025	157 572	166 688
Other own revenue	21 952	13 999	11 820	28 355	13 838	26 810	42 408	39 110
	178 519	206 306	261 043	260 097	259 334	317 788	354 171	369 980
Total Revenue (excluding capital transfers and contributions)								
Employee costs	81 433	104 614	115 284	116 377	121 880	120 699	127 626	134 901
Remuneration of councillors	10 707	12 190	11 553	15 495	11 746	13 725	14 685	15 714
Depreciation & asset impairment	27 776	38 415	39 282	40 000	40 000	30 000	31 500	33 075
Finance charges	1 309	2 014	5 823	1 285	2 065	580	585	600
Materials and bulk purchases	39 715	41 428	49 671	59 198	52 910	53 003	60 687	61 184
Transfers and grants	-	-	-	11 054	6 375	1 091	-	-
Other expenditure	2 148	88 946	72 650	49 829	72 261	92 537	115 865	112 824
Total Expenditure	163 088	287 608	294 262	293 238	307 227	311 634	350 949	358 298
Surplus/(Deficit)	15 431	(81 302)	(33 220)	(33 141)	(47 892)	6 154	3 222	11 682
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	59 303	53 387	65 375	31 914	35 460	60 033	44 790	43 933
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615
Capital expenditure & funds sources								
Capital expenditure	66 373	48 170	55 146	33 533	35 082	66 187	48 012	55 615
Transfers recognised - capital	60 580	47 468	52 732	31 914	33 732	60 033	44 790	43 933
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	5 793	702	2 414	1 619	1 350	6 154	3 222	11 682
Total sources of capital funds	66 373	48 170	55 146	33 533	35 082	66 187	48 012	55 615

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus (after Total Expenditure) is positive over the MTREF
- b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. No provision for any borrowing is incorporated in the net cash from financing on the Cash Flow Budget as the municipality anticipates not borrowing over the MTREF;
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years, as well as the revenue raised from services provided to the citizens. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

For Ramotshere Moiloa Local Municipality to continue improving the quality of services provided to its citizens there is a need for the municipality to generate revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality.

The Ramotshere Moiloa Local Municipality is faced with challenges which include amongst others, an increasing population demand for services as the populations and the demographics of the municipality are growing, as well as development backlogs and increasing poverty levels. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation balancing expenditures against available financial resources.

The municipality still needs to develop a revenue strategy which will be built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Identification of new possible revenue sources and the sustainability of such sources
- Increased pressure to deliver and maintain services and recover costs;

1.7.2 Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional	1									
Governance and administration										
Executive and council		178 457	105 527	180 567	95 247	128 821	-	152 269	168 284	182 453
Finance and administration		-	27 057	339	52 939	44 347	-	44 677	48 955	52 861
Internal audit		178 457	78 469	180 228	42 309	84 474	-	107 592	119 329	129 592
Community and public safety										
Community and social services		-	2 183	1 027	6 253	6 299	-	12 323	10 207	10 359
Sport and recreation		-	2 183	1 027	1 620	1 666	-	4 783	2 819	2 963
Public safety		-	-	-	2 972	2 972	-	6 456	6 242	6 185
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	1 661	1 661	-	1 084	1 146	1 211
Economic and environmental services										
Planning and development		10 763	60 967	59 625	109 763	110 176	-	101 186	116 915	116 358
Road transport		4	49 394	1 581	38 575	95 410	-	61 173	64 442	54 580
Environmental protection		10 759	11 573	58 043	71 188	14 766	-	40 012	52 473	61 778
Trading services										
Energy sources		48 603	91 016	85 199	80 748	49 498	-	112 044	97 555	99 744
Water management		26 421	49 928	64 914	52 516	36 259	-	69 812	58 601	58 603
Waste water management		11 261	7 684	11 018	7 076	8 643	-	17 143	18 120	19 134
Waste management		2 797	27 541	2 106	5 781	2 614	-	11 387	6 348	6 703
Other		8 123	5 853	7 161	15 375	1 982	-	13 703	14 486	15 303
Total Revenue - Functional	2	237 822	259 693	326 417	292 011	294 794	-	377 821	392 961	408 913
Expenditure - Functional	-									
Governance and administration										
Executive and council		56 212	214 835	149 768	169 522	107 479	-	140 772	171 345	184 658
Finance and administration		34 977	48 438	21 243	37 477	31 077	-	44 677	48 947	52 861
Internal audit		21 235	166 397	128 524	132 045	76 403	-	96 095	122 398	131 797
Community and public safety										
Community and social services		3 972	11 156	18 297	5 765	7 747	-	12 163	11 297	11 402
Sport and recreation		-	11 156	13 073	2 204	1 958	-	4 623	3 908	4 006
Public safety		3 972	-	5 225	2 665	4 963	-	6 456	6 242	6 185
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	896	826	-	1 084	1 146	1 211
Economic and environmental services										
Planning and development		16 325	26 485	50 653	48 501	99 197	-	113 957	113 560	112 917

Vote 2 - Vote 2 - Finance & Administration	21 235	166 397	143 191	132 945	76 403	-	79 822	113 822	122 977
Vote 3 - Vote 3 - Planning & Development	16 325	10 094	2 376	9 554	10 324	-	10 567	25 679	13 733
Vote 4 - Vote 4 - Technical Services	61 908	51 523	88 242	83 343	136 553	-	196 064	156 220	169 121
Vote 5 - Community & Social Services	28 643	11 156	42 494	30 819	41 729	-	46 691	48 293	50 221
Total Expenditure by Vote	2	163 083	287 608	293 238	296 085	-	377 821	392 961	408 913
Surplus/(Deficit) for the year	2	74 735	(27 915)	(1 227)	(1 291)	-	-	-	-

Vote Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework				Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework			
		2013/14	2014/15	2015/16	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20		
Revenue by Vote	1												
Vote 1 - Vote 1 - Executive & Council													
1.1 - Mayor		-	27 057	339		52 939	44 347	-	44 677	48 955	52 861		
1.2 - Speaker			-			5 451	5 451		3 962	4 371	4 646		
1.3 - Council			-			6 698	6 698		4 738	5 130	5 422		
1.4 - Municipal Manager			27 057	339		17 729	17 742		16 155	17 175	18 476		
1.5 - Internal Audit						15 656	14 456		10 606	12 503	13 921		
1.6 - Municipal Public Accounts Committee						7 405			8 945	7 349	7 771		
Vote 2 - Vote 2 - Finance & Administration													
2.1 - 2.1 - Budget & Treasury		178 459	78 469	180 228		42 309	84 474	-	99 250	105 614	108 995		
2.2 - 2.2 - Human Resources		178 459	50 748	173 607		28 847	62 663		76 847	81 698	84 026		
2.3 - 2.3 - Information Technology		-	27 721	6 621		4 468	12 817		12 265	12 138	12 638		
2.4 - 2.4 - Records and Registry						4 115	4 115		4 470	4 753	5 137		
2.5 - 2.5 - Labour Relations						3 036	3 036		1 649	4 157	4 250		
Vote 3 - Vote 3 - Planning & Development													
3.1 - Local Economic Development		4	49 394	1 055		24 552	17 845	-	16 997	25 679	13 733		
3.2 - Integrated Development Plan		4	-	527		10 319	8 546	-	4 589	4 922	5 263		
3.3 - Land Use Management		-	-	527									
3.4 - Spatial Planning		-	-	-									
3.5 - Town Planning		-	49 394	-		12 572	7 637		11 324	19 034	6 650		
3.6 - Housing		-	-	-		1 661	1 661		1 084	1 146	1 211		
Vote 4 - Vote 4 - Technical Services													
4.1 - Electricity		40 479	85 163	126 906		123 039	106 814	-	165 960	168 344	187 122		
4.2 - Sewerage Reticalation		26 421	49 928	64 914		52 516	36 259		69 812	58 601	58 603		
4.3 - Public Works		2 797	27 541	2 106		5 781	2 614		11 387	6 348	6 703		
4.4 - Project Management Unit				48 868		18 099	17 955		16 269	17 204	18 093		
4.5 - Municipal Buildings						33 837	35 610		45 260	39 910	42 058		
						2 230	2 233		217	5 368	12 019		

4.7 - Water		22 148	-	473	6 010	9 456	11 335	12 189	13 052
Vote 5 - Community & Social Services									
Parks and Sports		28 643	11 156	42 494	30 819	41 729	-	48 293	50 221
Streets		3 972		5 225	2 665	6 338		6 242	6 185
Traffic				14 185	1 400	4 963		3 703	3 916
Cemeteries		15 641	11 156	3 771	13 142	3 149		18 605	19 508
Libraries				13 073	324	17 595		1 713	1 852
Refuse		9 030		120	1 880	367		2 195	2 155
5.7 - Security Services				6 121	4 884	1 590		7 488	8 028
Total Expenditure by Vote	2	163 088	287 608	294 262	293 238	296 085	-	377 821	408 913
Surplus/(Deficit) for the year	2	74 735	(27 915)	32 155	(1 227)	(1 291)	-	-	-

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 above, is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means that, it is possible to present a deficit or a surplus in a municipal vote.

1.7.4 Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	2017/18 Medium Term Revenue & Expenditure Framework			Budget Year +1 2018/19	Budget Year +2 2019/20
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18		
R thousand	1								
Revenue By Source									
Property rates	2	19 848	21 843	42 358	24 700	29 934	44 069	46 062	47 461
Service charges - electricity revenue	2	24 756	45 243	48 407	52 381	59 477	70 958	73 065	78 180
Service charges - water revenue	2	10 203	7 694	7 718	7 076	8 643	15 480	15 544	17 416
Service charges - sanitation revenue	2	2 393	2 000	2 106	5 781	2 614	7 262	7 602	8 680
Service charges - refuse revenue	2	6 458	5 853	5 875	8 053	8 134	11 024	11 753	12 274
Service charges - other									

Capital expenditure - Vote												
Multi-year expenditure to be appropriated												
	2	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total												
	7	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated												
	2	-	-	-	-	-	-	-	-	-	-	-
		491	2 994	2 414	599	1 350	-	-	-	821	343	400
		10 168	-	-	-	-	-	-	-	20	-	-
		-	63 379	52 732	32 934	33 732	-	-	-	63 624	47 173	54 443
		-	-	-	-	-	-	-	-	1 722	496	772
		-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total												
		10 660	66 373	55 146	33 533	35 082	-	-	-	66 187	48 012	55 615
Total Capital Expenditure - Vote												
		10 660	66 373	55 146	33 533	35 082	-	-	-	66 187	48 012	55 615
Capital Expenditure - Functional												
Governance and administration												
Executive and council		2 994	700	2 414	599	1 350	-	-	-	821	343	400
Finance and administration										821	343	400
Internal audit		2 994	700	2 414	599	1 350	-	-	-			
Community and public safety												
Community and social services		-	8 542	-	-	-	-	-	-	1 462	496	772
Sport and recreation										1 212		
Public safety			8 542	-	-	-	-	-	-	250	53	60
Housing											443	712
Health												
Economic and environmental services												
Planning and development		63 379	38 926	52 732	32 814	33 732	-	-	-	43 294	40 983	49 806
Road transport										20		
Environmental protection		63 379	38 926	52 732	32 814	33 732	-	-	-	43 274	40 983	49 806
Trading services												
Energy sources		-	2	-	120	-	-	-	-	20 610	6 191	4 637
Water management			2	-	120	-	-	-	-	18 000	3 700	2 000
Waste water management										2 350	2 491	2 637
Waste management										260		
Other												
		-										
Total Capital Expenditure - Functional												
	3	66 373	48 170	55 146	33 533	35 082	-	-	-	66 187	48 012	55 615
Funded by:												
National Government		60 580	47 468	52 732	31 914	33 732				60 033	44 790	43 933
Provincial Government										-		

Cash		3 779	4 757	6 753	33 399	29 690	-	-	-	-
Call investment deposits	1	1 342	15 370	2 103	15 000	-	17 300	19 030	20 933	-
Consumer debtors	1	41 426	14 293	38 768	62 786	150 908	89 349	99 252	110 223	-
Other debtors		4 909	3 839	3 941	4 383	4 383	-	-	-	-
Current portion of long-term receivables	2	41 291	44 772	31 701	4 086	4 086	-	-	-	-
Inventory					47 727	47 727	-	-	-	-
Total current assets		92 747	83 032	84 135	167 382	236 794	106 649	118 282	131 156	
Non current assets										
Long-term receivables							-	-	-	-
Investments					2 151	2 151	-	-	-	-
Investment property		19 121	19 051	18 980	20 308	324	-	-	-	-
Investment in Associate							-	-	-	-
Property, plant and equipment	3	538 577	547 944	570 679	575 341	575 341	62 878	45 612	52 834	
Agricultural							-	-	-	-
Biological							-	-	-	-
Intangible		3 033	3 470	3 635	3 699	3 699	-	-	-	-
Other non-current assets		405	405	405			-	-	-	-
Total non current assets		561 136	570 869	593 698	601 499	581 514	62 878	45 612	52 834	
TOTAL ASSETS		653 883	653 901	677 833	768 880	818 308	169 527	163 893	183 991	
LIABILITIES										
Current liabilities										
Bank overdraft	1						-	-	-	-
Borrowing	4	5 911	1 601	1 448	859	859	-	-	-	-
Consumer deposits		1 180	1 357	1 676	1 447	1 447	-	-	-	-
Trade and other payables	4	68 365	78 069	72 805	153 408	31 000	27 549	30 304	33 334	
Provisions		4 992	1 769	1 426	1 016	1 016	-	-	-	-
Total current liabilities		80 449	82 796	77 355	156 730	34 322	27 549	30 304	33 334	
Non current liabilities										
Borrowing		6 534	5 558	4 699	4 697	4 697	580	580	580	
Provisions		37 582	51 735	59 081	34 659	34 659	53 139	57 074	61 402	
Total non current liabilities		44 116	57 293	63 780	39 356	39 356	53 719	57 654	61 982	
TOTAL LIABILITIES		124 565	140 089	141 135	196 086	73 678	81 268	87 958	95 317	
NET ASSETS	5	529 318	513 812	536 698	572 794	744 630	88 259	75 935	88 674	
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		529 318	513 812	536 698	572 794	744 630	66 187	48 012	55 615	
Reserves	4	-	-	-	-	-	22 072	27 923	33 059	
TOTAL COMMUNITY WEALTH/EQUITY	5	529 318	513 812	536 698	572 794	744 630	88 259	75 935	88 674	

Explanatory notes to Table A6 - Budgeted Financial Position

1. MBRR Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting". The order of items within each group illustrates items in the order of liquidity.
3. MBRR Table A6 contains mainly the following items:
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets, and
 - Reserves
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. Therefore any budget assumptions are critical as they form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed by directly forecasting the statement of financial position.
5. Reserves as presented in the above table are not cash backed. These are indicative amounts by which the movements in assets occurred. The Accumulated surplus is just an accounting figure used to calculate the value of the municipality in line with GRAP 1, it does not have any financial backing attached, therefore there are no monetary cash amounting to the value attached to the accumulated surplus.

1.7.7 Table A7 - Budgeted Cash Flow Statement

Description	Ref	2013/14	2014/15	2015/16	2017/18 Medium Term Revenue & Expenditure Framework			Budget Year +1 2018/19	Budget Year +2 2019/20
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18		
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		18 000	21 843	42 358	18 772	45 079	34 894	35 353	35 822
Service charges		42 069	58 383	39 650	64 490	45 108	81 864	86 531	91 376
Other revenue		97 772	14 377	6 437	69 509	78 036	9 074	9 846	10 187
Government - operating	1	92 713	135 078	138 639	130 053	129 053	140 784	155 172	163 288
Government - capital	1	30 495	53 387	43 182	35 460	35 460	60 033	44 790	43 933
Interest		34	741	1 229	1 068	126	683	649	698
Dividends					-		-	-	-
Payments									
Suppliers and employees		(222 384)	(222 566)	(224 755)	(223 796)	(239 908)	(202 920)	(239 105)	(235 647)
Finance charges		(1 309)	(2 014)	(1 967)	(1 285)	(1 285)	(580)	(585)	(600)
Transfers and Grants	1				(11 054)	(6 375)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		57 389	59 230	44 753	83 217	85 295	123 831	92 451	109 056
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		20		188			-	-	-
Decrease (increase) in non-current debtors				(165)			-	-	-
Decrease (increase) other non-current receivables							-	-	-
Decrease (increase) in non-current investments							-	-	-
Payments									
Capital assets		(66 373)	(39 628)	(55 146)	(33 533)	(35 082)	(66 778)	(66 187)	(55 615)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(66 353)	(39 628)	(55 123)	(33 533)	(35 082)	(66 778)	(66 187)	(55 615)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans							-	-	-
Borrowing long term/refinancing				(845)			-	-	-
Increase (decrease) in consumer deposits							-	-	-
Payments									
Repayment of borrowing		(11 437)	(5 286)	(167)	(1 285)	(2 055)	(580)	(585)	(600)

NET CASH FROM/(USED) FINANCING ACTIVITIES		(11 437)	(5 286)	(1 012)	(1 285)	(2 055)	(580)	(585)	(600)
NET INCREASE/ (DECREASE) IN CASH HELD		(20 400)	14 316	(11 383)	48 399	48 157	56 474	25 680	52 841
Cash/cash equivalents at the year begin:	2	24 231	3 831	18 136		6 753	6 753	63 227	88 906
Cash/cash equivalents at the year end:	2	3 831	18 146	6 753	48 399	54 910	63 227	88 906	141 748

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality remain positive over the MTREF period though highly declining as compared to the prior years. The municipality is encountering a serious cash flow problem, which is also evident in the 2016/2017 budget.
4. The 2017/18 MTREF provide for a further break even in cash and cash equivalents for the year and for the two outer years. This means that it is projected that the municipality will have no cash available at the end of the financial years.

1.7.8 Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework						Budget Year +1 2018/19	Budget Year +2 2019/20
		2013/14	2014/15	2015/16	Original Budget				
R thousand		Audited Outcome	Audited Outcome	Audited Outcome					
Cash and investments available	1	3 831	18 146	6 753	48 399	54 910	63 227	88 906	141 748
Cash/cash equivalents at the year end		1 289	1 981	2 103	0	(25 221)	(45 927)	(69 876)	(120 815)
Other current investments > 90 days	1	-	-	-	2 151	2 151	-	-	-
Non current assets - Investments									
Cash and investments available:		5 120	20 128	8 856	50 550	31 840	17 300	19 030	20 933
Application of cash and investments									
Unspent conditional transfers		715	26 860	-	27 286	3 000	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-
Statutory requirements	2								
Other working capital requirements	3	(28 290)	25 702	40 870	(37 763)	(185 011)	(36 476)	(36 154)	(41 218)
Other provisions		4 306	953	-	1 016	1 016	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5								

Total Application of cash and investments:	(23 270)	53 515	40 870	(9 461)	(120 985)	(36 476)	(36 154)	(41 218)
Surplus(shortfall)	28 390	(33 387)	(32 014)	50 011	212 835	53 776	55 184	62 151

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2017/2018 Budget and MTREF is funded.

1.7.9 Table A9 - Asset Management

Description	Ref	2013/14	2014/15	2015/16	2017/18 Medium Term Revenue & Expenditure Framework			Budget Year +2 2019/20	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Budget Year 2017/18	Budget Year +1 2018/19		
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	1	66 373	48 170	-	33 533	66 187	48 012	55 615	
Roads Infrastructure		60 580	38 926	-	31 914	43 294	39 790	41 933	
Storm water Infrastructure		-	-	-	120	-	-	-	
Electrical Infrastructure		-	-	-	-	18 000	3 700	2 000	
Water Supply Infrastructure		-	-	-	-	2 350	2 491	2 637	
Sanitation Infrastructure		-	8 542	-	-	-	-	-	
Solid Waste Infrastructure		-	-	-	-	260	-	-	
Rail Infrastructure		-	-	-	-	-	-	-	
Coastal Infrastructure		-	-	-	-	-	-	-	
Information and Communication Infrastructure		-	-	-	-	-	-	-	
Infrastructure		60 580	47 468	-	32 034	63 904	45 981	46 570	
Community Facilities		-	2	-	-	1 212	496	772	
Sport and Recreation Facilities		-	-	-	-	250	-	-	
Community Assets		-	2	-	-	1 462	496	772	
Heritage Assets		-	-	-	-	-	-	-	
Revenue Generating		-	-	-	-	-	-	-	
Non-revenue Generating		-	-	-	-	-	-	-	

Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	145	-	437	-	-	-	-	343	400
Computer Equipment	145	-	437	-	-	-	-	343	400
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	5 648	-	263	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	1 193	7 873
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-
Roads Infrastructure	-	-	-	-	-	-	-	-	-
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-

Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	1 095	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	32 522	44 711	-	10 871	42 203	49 062	48 719		
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	0.0%	0.0%	
<i>Renewal and upgrading of Existing Assets as % of deprecn R&M as a % of PPE</i>	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	0.0%	
<i>Renewal and upgrading of Existing Assets as % of deprecn R&M as a % of PPE</i>	0.9%	1.1%	0.0%	0.8%	19.4%	38.5%	29.6%	29.6%	
<i>Renewal and upgrading and R&M as a % of PPE</i>	1.0%	1.0%	0.0%	3.0%	18.0%	26.0%	22.0%	22.0%	

R thousand	Description	Ref	2013/14		2014/15		2015/16		Current Year 2016/17			2017/18 Medium Term Revenue &			
			Audited Outcome	2013/14	Audited Outcome	2014/15	Audited Outcome	2015/16	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
1	CAPITAL EXPENDITURE														
	Total New Assets														
	Water Supply Infrastructure														
	Infrastructure														
	Other Assets														
	Services														
	Licences and Rights														
	Intangible Assets														
	Computer Equipment														
	Furniture and Office Equipment														
	Machinery and Equipment														
	Transport Assets														
	Total Renewal of Existing Assets														
2	Roads Infrastructure														
	Investment properties														
	Operational Buildings														
	Housing														
	Other Assets														
	Total Capital Expenditure														
	Water Supply Infrastructure														
	Sanitation Infrastructure														
	Solid Waste Infrastructure														
	Infrastructure														
	Community Facilities														
	Investment properties														
	4	Operational Buildings													
Housing															
Other Assets															
Licences and Rights															
Intangible Assets															
Computer Equipment															
Furniture and Office Equipment															
Machinery and Equipment															
Transport Assets															
TOTAL CAPITAL EXPENDITURE - Asset class															
5		ASSET REGISTER SUMMARY - PPE (WDV)													
		Water Supply Infrastructure													
		Infrastructure													
	Investment properties														
	Operational Buildings														
	Housing														
	Other Assets														
	Licences and Rights														
	Intangible Assets														
	Computer Equipment														
	Furniture and Office Equipment														
	Machinery and Equipment														
	Transport Assets														
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)															
7	EXPENDITURE OTHER ITEMS														
	Depreciation														
	Repairs and Maintenance by Asset Class														
	Water Supply Infrastructure														
	Infrastructure														
	TOTAL EXPENDITURE OTHER ITEMS														
	Renewal and upgrading of Existing Assets as % of total capex														
	Renewal and upgrading of Existing Assets as % of department														

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets, no renewal of existing assets is provided for.

Part 2

OTHER SUPPORTING INFORMATION

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

2.1.1 The Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and Budget Time schedule on 03 September 2016 and the schedule with key deadlines was approved by council during that meeting.

2.1.2 Community Consultation on the Draft Budget

The draft 2017/18 MTREF, was tabled during a Special Council meeting dated 31 March 2017 whereby community members were present. Furthermore, a Mayoral Roadshow on the budget was planned for May 2017 and was executed even though with serious challenges as there were community unrests at the same time.

2.1.3 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:-

- Registration of community needs;
- Compilation of departmental business plans with key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/2017 MTREF, mid-year review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.2 Overview of Alignment of the Annual Budget with the IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals.

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18

MTREF and further planning refinements that have directly informed the compilation of the budget:

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above. In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance

Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks. Additional to the MFMA and the Municipal Budget and Reporting Regulations, the following policies are used to guide the budget process:-

2.4.1 Asset Management Policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the revenue base.

2.4.2 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.3 Supply Chain Management Policy

The revised SCM Policy which incorporates the new PPPFA regulations will be tabled to the Council meeting together with this draft budget.

2.4.4 Investment & Cash Management Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.5 Overview of budget assumptions

2.5.1 External factors

The effects of recession are still evident. After a protracted hike in the interest rates, this increased recently. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality chiefly engages in amortisation-style loans requiring both regular principal and interest payments. Surplus cash is invested and re-invested at short intervals.

2.5.5 Salary increases

Salary increases were based on the proposed increase as per the MFMA budget circular.

2.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at 100 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2017/18 MTREF.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Investment revenue contributes marginally to the revenue base. It needs to be noted that these allocations have been conservatively estimated. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The municipality did not raise new loans, however, the municipality is still servicing old loans from the DBSA, which arose as demarcation liabilities between the Southern and the then Bophirima District Municipalities.

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation below meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year? • How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that is available. A shortfall (applications cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded' It is also important to analyse trends to understand the

consequences. Small cash surpluses have been realised over the past three years, which is inevitably utilised to finance operations. No meaningful growth in cash has occurred. The working capital has to be optimally managed.

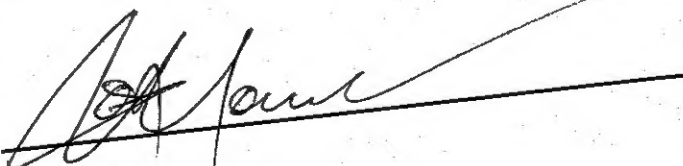


Municipal Manager's Quality Certificate
RAMOTSHERE MOILOA LOCAL MUNICIPALITY
MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **OLEBOGENG ABEL MONCHUSI**, Acting Municipal Manager of Ramotshere Moiloa Local Municipality, hereby certify that this Operating and Capital Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2017/2018 Operating And Capital Budget and the MTREF and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: **OLEBOGENG ABEL MONCHUSI**

Acting Municipal Manager of Ramotshere Moiloa Local Municipality

Signature: 

Date: 06 June 2017